

August 27 2014

Public Service Commission of South Carolina
Attention: Clerk's Office
P. O Drawer 11649
Columbia, SC 29211

(Copies to ORS and SCE&G)

Re: Docket 2014-187-E

Application of South Carolina Electric & Gas Company for Approval to Revise Rates under the Base Load Review Act

Written Comments on the ORS Report

I am writing as an SCE&G customer and as an economist. As a customer, I am concerned about the electric rate increases over the last several years. As an economist, I am concerned about the new technology of the Westinghouse AP1000 reactor, continuing risks of construction delays for V. C. Summer 2 and 3, and the implications of those delays for construction costs that will affect rates in the future. This letter will address the Office of Regulatory Staff's *2014 Report on SCE&G's Request for Revised Rates under the Base Load Review Act* by commenting on electricity prices and on new technology and construction delays.

Turning first to electricity prices, the ORS Report (Table 1, SCE&G Revised Rates History) indicates that the effect on electric rates related to the Base Load Review Act is a cumulative total increase of 11.47% over the period 2008-2013. This is a substantial electric rate increase and does not include rate increases due to other operating cost increases during this time period, nor does it include revised rates from the current docket.

How have residential prices changed during recent years? In 2007, prior to PSC approval of V.C. Summer 2 and 3, SCE&G's average residential price was 10.08 cents per kWh as compared to the U. S. average price of 10.65 cents. By 2013, SCE&G's residential price advantage relative to the national average had disappeared: the SCE&G residential average price was 14.1 cents per kWh versus the U.S average 12.1 cents. (Data from EIA and from SCE&G's Statistical Supplements.) A large part of this price increase reflects retail customers paying in advance for future nuclear generating capacity as provided by the Base Load Review Act.

I believe that both the ORS and the PSC should be concerned about this rapid increase in electric rates in recent years. I focus on residential prices because of my position as a consumer, but commercial and industrial prices are also being affected by the Base Load Review Act, with implications for the future economic development of South Carolina.

Turning next to technology and construction delays, it is important to remember that the Westinghouse AP1000 reactor design used in V. C. Summer units 2 and 3 incorporates new technology both in construction and in reactor operating systems. Testimony presented at the 2008 hearings for construction approval (Docket 2008-196-E) pointed out the risks and cost

uncertainty related to adoption of a new technology, given that this reactor design had not yet been built or operated anywhere. The current construction delays are a symptom of problems related to SCE&G's being an early adopter of a new technology. The ORS Quarterly Report (Q1-14 Review) indicates "several ongoing construction concerns that create risks to the on-time construction of the Units." (p.14) The ORS notes that the revised construction schedules, though delayed, fall within the permissible 18 month delay allowed under the Base Load Review Order. (p.1) These delays are related in part to behind schedule sub-module delivery time.

Since the June 30 2014 publication of the ORS 2014 First Quarter Report, SCE&G has announced further delays. As reported in *The State* August 12 2014, "The delay will put the \$10 billion project at V.C. Summer Nuclear Power plant outside the 18-month contingency allowed by state regulators and likely will drive up the costs, but utility officials said they would not know how much until later this year."

I am very concerned about the effect of these construction delays on residential electricity prices, which are already well above the national average. The ORS report in the current docket generally accepts the Base Load Act price revisions. While ORS warns of the risk of further construction delays, it fails to recommend what actions the PSC should take if the delays worsen. For example, should construction on both Unit 2 and Unit 3 continue, given the uncertainty about module delivery? To what extent should stockholders and ratepayers share the additional costs related to the construction delays?

I urge both the ORS and the PSC to widen the scope of their regulatory oversight to consider the range of possible outcomes related to SCE&G's adoption of this new technology. Merely accepting the rate increases flowing from the application of the Base Load Review Act fails to address the much larger potential problems of construction delays and cost overruns.

Sincerely,

A handwritten signature in black ink, appearing to read "R. P. Wilder". The signature is fluid and cursive, with a long horizontal stroke at the end.

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